

Message Text

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PAGE 01 BEIRUT 01887 261059Z
ACTION NEA-10

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C O N F I D E N T I A L BEIRUT 1887

STADIS//////////

FOR NEA/ARN, DRAPER AND HOWELL

E.O. 11652: GDS
TAGS: EAID LE US
SUBJ: HOUSING GUARANTEE PROGRAM

1. FOLLOWING SIGNING OF PL-480 AGREEMENT MORNING OF APRIL 25 WITH PRIME MINISTER HOSS, WE HAD DISCUSSION REGARDING HOUSING GUARANTEE PROGRAM. I TOLD HOSS WE HAD BEEN GETTING ECHOES FROM LEBANESE OFFICIALS THAT GOL WAS RELUCTANT ACCEPT \$15 MILLION HOUSING GUARANTEE MONEY AT 9 PERCENT. WE HAD BEEN TOLD IN EFFECT THAT LEBANESE WERE TAKING IT IN ORDER TO BE POLITE TO US. IN THAT CASE PERHAPS WE SHOULD CONSIDER POSSIBILITY OF NOT EXTENDING MONEY IN QUESTION. HOSS NOTED THAT I HAD RAISED IT, NOT HE. FRANKLY, HE HAD BEEN AMONG OPPONENTS OF PROGRAM FROM BEGINNING BECAUSE OF RATE OF INTEREST. CABINET HAD MET AND TAKEN FORMAL DECISION TO ACCEPT MONEY, HOWEVER, BECAUSE THEY HAD FELT NOT TO DO SO WOULD JEOPARDIZE THEIR CHANCES OF GETTING OTHER TYPES OF AID FROM US. LEBANON WAS TODAY GETTING MONEY FROM OTHER ARABS AT 4 TO 5 PER CENT AND HOPED TO GET SOME MONEY AT EVEN LESS. FOR THEM TO TAKE MONEY FROM US AT 9 PER CENT RAISED QUESTION WITH OTHER ARABS AS TO WHY THEY SHOULD NOT BE GETTING
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SIMILAR RATE. THEY HAD RATIONALIZED ACCEPTANCE OF TRANSACTION BY SAYING THAT ADDING THE \$4.5 MILLION GRANT FOR HOUSING TO THE GUARANTEE PROGRAM WOULD BRING THE INTEREST RATE DOWN TO 7 1/2 PER CENT. THIS WAS STILL PRETTY HIGH.

2. HOSS SAID THAT 9 PER CENT INTEREST RATE MIGHT NOT

BE TOO BAD TODAY, BUT LEBANESE WERE BEING ASKED TO TIE THEMSELVES TO IT FOR 30 YEARS. THIS WAS NOT VERY GOOD BUSINESS FOR THEM. INTEREST RATE MIGHT GO UP DURING THAT PERIOD, IT MIGHT GO DOWN. HISTORICALLY, 9 PER CENT WAS HIGH. IF TRANSACTION HAD BEEN BASED ON LONDON INTER-BANK RATE, FOR INSTANCE, IT WOULD BE DIFFERENT. HOSS EMPHASIZED, HOWEVER, THAT CABINET HAD APPROVED TRANSACTION AND LEBANESE WERE PREPARED TO GO THROUGH WITH IT. IF THERE WAS ANY POSSIBILITY THAT THEIR RELUCTANCE TO ACCEPT IT WOULD AFFECT ATTITUDES IN WASHINGTON HE DID NOT WANT ME EVEN TO RAISE IT.

3. COMMENT: IT WAS MY UNDERSTANDING TWO MONTHS AGO THAT IF LEBANESE WISHED TO TAKE ONLY THE GRANT PORTION OF THE HOUSING PROGRAM, THIS WOULD MAKE FOR CERTAIN UNHAPPINESS IN WASHINGTON BUT WOULD BE ACCEPTABLE. WOULD APPRECIATE UP-TO-DATE READING OF SITUATION. REALIZE FULLY HOW IRRITATING IT IS FOR US TO MAKE MAJOR EFFORT TO PUT GIFT HORSE TOGETHER AND THEN HAVE LEBANESE LOOK IT IN THE MOUTH. ON OTHER HAND, I THINK IT IS PROBABLY GOING TO BE A POLITICAL MISTAKE IN THE LONG RUN TO SADDLE LEBANESE WITH A PROGRAM THEY DO NOT REALLY WANT. PARKER

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